

GLENVIEW POLICE PENSION MEETING

February 8, 2013

Next Meeting: Monday, April 30, 2013 @ 8:30am

In Attendance.

J. Foley

R. Francois

K. Christell

G. Colis

Don Owen

Mary Tomanek – SmithBarney

Kelly Brainerd – L & A

Mike Untiedt

Rick Reimer – Pension Attorney

ROLL CALL.

The meeting was called to order by Trustee Foley. Roll call was taken and all Trustees were present except for Mike Untiedt (Ret. Trustee) who was attending mandatory training. Also attending the meeting was Don Owen, Deputy Village Manager on behalf of the Village Treasurer, Mary Tomanek from SmithBarney, and Kelly Brainerd from Lauterbach & Amen.

MINUTES.

Motion made to accept and approve the Minutes from the October 30, 2012 meeting with one change by C. Christell and seconded J. Foley. The word "corporate" was added to describe the bond fund in the sixth line under Tomanek. All were in favor.

TOMANEK.

Reported Jamison and McCarthy (J&M) who manages 6.89M in fixed assets in our bond fund will be closing the firm at the end of March. J&M previously sent a letter to the Board informing of this change. It has become increasingly difficult to make money in their niche market as interest rates are so low and re-financing is hurting yields. The Board needs to decide what to do with the assets assigned to J&M.

Equities were up 14.3% in 2012, but the negative pressure on the bonds and overall defensive asset allocation strategy of the funds held overall gains down to about 7.6%. The target rate of return is 7.25%. Small, mid-cap and international funds performed well while Industrials and Financials components lagged the market.

The outlook for Treasury bonds is down as interest rates only have one way to go and any upward movement will hurt yields. Ten-year Treasury bonds are expected to yield less than 2%. Inflation, which is driven by rising wages, is not an issue in the short term. There are no real good alternatives to the Treasury bonds. The best bet is dividend producing stocks and corporate bonds which are anticipated to yield a little over 2%. The historical risk/reward mix of corporate and government bonds (highest return with least volatility) would indicate a 35-40% corporate bond holding is the most prudent level. In order to attain this level the

Investment Guidelines would need to be amended. The State statutes have allowed a greater investment in equities and corporate bond funds as of last year.

The Morgan Stanley intermediate (about seven years) outlook for a blended fund suggests an annual return of 6.5%. Looking back, the ten-year composite annual return for the police pension fund was 6.34% (2002–2011).

FOLEY:

Provided an update on the status of the Golden disability application. Doctor's appointments have been set-up in February and the Board should receive packets from Reimer soon after the doctors submit their reports.

Updated the Board on a newly hired officer, Randall Herndon (1/28/13), who submitted an application for admittance into the fund at Tier 2. Motion made by Trustee Foley to accept him into the pension fund. Seconded by K. Christell and all were in favor.

Also, Commander Linden has put in for retirement after over thirty years of service. Motion made by Trustee Foley approve the state mandated retirement increases as calculated by Lauterbach & Amen of \$7,778.50 per month. Motion seconded by K. Christell and all were in favor.

Motioned to approve the state-mandated retirement increases as calculated by Lauterbach & Amen. The total increase is \$64,165.56. Francois seconded and all were in favor.

Motioned to have Tepfer & Associates provide the 2013 actuarial report at an expected cost of \$2,250.00 and Christell seconded. All were in favor.

Foley motioned to renew Board membership (\$775.00) in the Illinois Public Pension Fund Association in 2013. As part of the association, the mandatory state pension training costs are reduced and it offers an open exchange of information for pension participants. Colis seconded and all were in favor.

Reported Oakton Community College is starting an eight-hour pension training class quarterly that is supposed to meet the state requirements. The program is scheduled to start later this winter, so there is no feedback on the course at this time.

The Board discussed options and agreed as we have just interviewed bond managers we should choose one or two of them to manage the assets currently under J&M and update the Investment Guidelines to try to capture better returns than projected for the Treasury bonds. After the discussion, K. Christell motioned to change the Investment Guidelines to reflect a

maximum allowed total equity mix from the current 45% to 50%; the maximum allowed corporate bond amount from the current 10% to 15%; and the equity /corporate mix from the current 50% to 60%. Motion seconded by G. Colis and all members were in favor.

The Board discussed how to distribute the 6.89M in J&M funds and Colis motioned to move the funds as such: 4.89M to McDonnell Corporate Bond Manager, in only investment grade, intermediate duration bonds; 1.0M to Segall, Bryant and Hamill and release them from the mortgage restriction; and 1M to American Growth & Income, an international equity fund. Foley seconded the motion and all were in favor.

COLIS:

Suggested further discussion about the current 7.25% rate of return which was also discussed last year. After discussion, the Board informed the Village Manager that it has been recommended to Tepfer & Associates to change the anticipated rate of return downward to 7.0% going forward. This is based on the Morgan Stanley intermediate term outlook of 6.5%; the ten year composite for our portfolio at 6.34%; the State of Illinois actuarial valuation return assumption on the police pension fund at 6.75% (recently provided); and the unofficial calculation of the 2012 return of 7.6%. G. Colis will approach the Village Manager with the information.

MOTIONS MADE:

- To accept and approve the Minutes from the October 30, 2012
- To admit new hire Officer Randall Herndon into the Pension Fund
- To change the Investment Guidelines to reflect a maximum allowed total equity mix from 45% to 50%
- Disbursement of the 6.89M fund handled by J & M; 4.89m TO McDonnell Corp Bond Manager, 1.0M to Segall, Bryant, and Hamill, and 1M to American Growth & Income
- Approve state-mandated retirement increases
- Approve retirement benefits to Commander John Linden
- Tepfer & Associates provide the 2013 actuarial report
- Renewal of Board membership (\$775.00) to the Illinois Public Pension Fund Association for 2013



Kevin Christell

Pension Board President